progress with an estimated cost of $100,000.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

> **RESOLVED,** That the USAC Board of Directors approves the combined and combining 1998 financial audits of the Universal Service Fund and the High Cost, Low Income, Rural Health Care, and Schools and Libraries Programs based on the approval by the RHC Committee of the administrative expenses of the RHCC, the approval by the SL Committee of the administrative expenses of the SLC, and the recommendation of the High Cost and Low Income Committee as it relates to the administrative costs of USAC and NECA, and
>
> **RESOLVED FURTHER,** That the USAC Board of Directors approves the 1998 financial audit of the Universal Service Administrative Company, including the High Cost and Low Income Program based on the approval by the High Cost and Low Income Committee as it relates to the administrative costs of the Program, and
>
> **RESOLVED FURTHER,** That the USAC Board of Directors accepts the recommendation of the High Cost and Low Income Committee to approve the USAC agreed upon procedures audit and directs management to inform the Board when corrective action has been completed regarding the issues identified in the audit, and
>
> **RESOLVED FURTHER,** That the USAC Board of Directors authorizes the CEO to send a management response to Arthur Andersen accepting the financial audits and agreed upon procedures reports and committing to take corrective action to address the minor technical and process issues that were identified in the agreed upon procedures audit.

3. **Authorization to File 1999 Draft Financial and Operational Audit Plans with the FCC** – Ms. Parrino reported that audit plans should be filed with the FCC by August 1, 1999. Arthur Andersen has been chosen for the USAC and HCLI audits. A Request for Proposal will be sent out by August 15, 1999, for operational audits of the Schools and Libraries and

the Rural Health Care Programs; the draft audits are due to the FCC by March 1, 2000.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

> **RESOLVED**, That the USAC Board of Directors accepts the recommendation of the High Cost and Low Income Committee to authorize USAC to file with the FCC audit staff the proposed draft USAC financial audit plan and operational audit plan modified to reflect the merger and the change in accounting and payroll contractors.

4. **Board Approval of the Variances between the Quarterly Contribution Base Amounts Approved by the Board and the Contribution Base Amounts Filed with the FCC** – Mr. Haga pointed out that the wrong numbers were listed in the agenda item—only the High Cost & Low Income Program numbers were entered. He will forward an updated agenda item to all members after the meeting. In looking at the history of filed projections versus projections approved by the Board, it has been determined that there is little variance for the Schools & Libraries and the Rural Health Care Programs, but as much as almost 5 percent variance for the High Cost & Low Income Program. The variance is a result of late filings, or modifications to the filings of Form 457 by carriers. The FCC sets the contribution factor: Program Demand/Revenue Base = Contribution, so it is important that the most recent information be filed. The Board amended the resolution to reflect only a dollar variance threshold and to set different dollar thresholds for the two revenue bases.

   On a motion duly made and seconded, the Board unanimously adopted the following amended resolutions:

   > **RESOLVED**, That the USAC Board of Directors, having reviewed a summary of the variances in the reported Contribution Base amounts for the quarterly filings to-date hereby authorizes prior Contribution Base variances in amounts reported to the FCC, and
   >
   > **RESOLVED FURTHER**, That the USAC Board of Directors authorizes USAC staff to file Contribution Base amounts with variances not exceeding $5.0 billion for the international, interstate, and intrastate revenue base and $2.5 billion

for the international and interstate revenue base of the Board approved contribution base amounts, and variances at or below the above level are deemed approved by the Board. Any variances above $5.0 billion for the international, interstate and intrastate revenue base and $2.5 billion for the international and interstate revenue base must have full Board approval before staff submits the filing to the FCC.

5. **Recommended Deadline for True-up of Form 457** – Ms. Parrino explained that USAC staff recommends setting a deadline for carriers to submit a revised Form 457. There is no deadline right now and it is very costly administratively to continually true up the numbers every time USAC receives a revised form.

   On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

   > **RESOLVED**, That the USAC Board of Directors directs staff to no longer accept carrier initiated requests for changes in revenues reported on prior FCC Form 457 beyond 12 months from the initial submission of the Form in question, and
   >
   > **RESOLVED FURTHER**, That the USAC Board of Directors directs staff to inform telecommunications service providers of the decision to establish a time limit on carrier initiated changes.

6. **USAC Collection Procedures for Contributors in Bankruptcy** – Ms. Parrino explained that telecommunications carriers that are required to contribute to the Universal Service Fund are increasingly filing bankruptcy. USAC proposes a change in the *USAC Collection Procedures for Contributors in Bankruptcy* to reflect language that will enable staff to write-off late payment charges for companies in Chapter 7 bankruptcy proceedings.

   On a motion duly made and seconded, the Board unanimously adopted the following resolution:

   > **RESOLVED**, That the USAC Board of Directors, having reviewed at its meeting on July 27, 1999, a summary of the current status of the *USAC Collection Procedures for Contributors in Bankruptcy*, hereby directs staff to proceed with the update to the *USAC Collection Procedures for Contributors in*

Collection Procedures for Contributors in Bankruptcy allowing for Executive Director level approval for waivers of Late Payment Charges up to $0.5 Million.

7. **Selection of January 2001 Board of Directors Quarterly Meeting Date** – Staff was requested to find different dates for the January 2001 quarterly Board meeting since the suggested dates of January 22 and 23 may conflict with events surrounding the Presidential Inauguration. The Monday and Tuesday of the following week is being suggested with the stipulation that USAC request an extension from the FCC on the quarterly filing date of February 1.

   On a motion duly made and seconded, the Board unanimously adopted the following resolution:

   > **RESOLVED,** That the USAC Board of Directors schedule January 29 and 30, 2001, as the dates for the quarterly USAC Board of Directors' meetings for January 2001.

8. **Consolidation of Data Collection and Authorization to Issue an RFP** – Ms. Parrino explained that the FCC has issued a public notice soliciting comments on consolidating the process of revenue data collection for USAC and the administrators of three other programs. Currently carriers must file four different forms. While the method of allocating costs has been decided, who will collect the data has not. The National Exchange Carrier Association (NECA) is interested as it is already doing the work for two of the programs. USAC is also interested in being responsible for the data collection because it already collects data twice a year, it is the largest of the four programs, and it is a neutral entity.

   On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

   > **RESOLVED,** That the USAC Board of Directors determines that it is interested in being designated as the entity responsible for the data collection and directs staff to inform the FCC, and
   >
   > **RESOLVED FURTHER,** That the USAC Board of Directors authorizes USAC staff to issue a Request for Proposal to perform the billing, collection, and disbursement activities of the corporation including the data collection.

9. **Criteria for Determining Whether a Financial Interest Constitutes a Conflict of Interest** – Ms. Parrino recalled for the Board that at the October 1998 quarterly Board meeting, the Board approved a Code of Ethics for USAC employees. However, guidelines for determining if a conflict exists for employees who have filed a financial disclosure form indicating that he or she has a financial interest greater than $5,000 in one of the stakeholders of the programs of USAC have not been established. This action item resolution attempts to do just that.

   On a motion duly made and seconded, the Board unanimously adopted the following resolution:

   > **RESOLVED,** That the USAC Board of Directors accepts the recommendation made by the Executive Committee to approve the proposed guidelines for determining if a conflict of interest exists for employees having a financial interest greater than $5,000 in one of the stakeholders of the programs that USAC administers.

10. **Establishment of a Training and Education Policy for USAC** – Ms. Parrino explained that USAC does not have a staff training policy or a policy regarding tuition reimbursement for education, although money is currently included in the budget. In developing the policy that is before the Board today, Ms. Parrino reviewed the Training and Education Policies of such entities as the United Way, the State of Wisconsin, and three other not-for-profit organizations. She did not look at the Federal policy. The Board requested that Ms. Parrino review the Federal policy against this USAC policy to determine if there are any inconsistencies. If there are no inconsistencies, the policy can go into effect; if there are major differences, the policy should come back to the Board for approval.

    On a motion duly made and seconded, the Board unanimously adopted the following resolution:

    > **RESOLVED,** That the USAC Board of Directors accepts the recommendation made by the Executive Committee to approve the proposed *Training and Education Policy* for USAC employees provided there are no significant inconsistencies with the Federal guidelines. If there are significant inconsistencies, the policy should be brought back to the Board for further review

11. **4th Quarter 1999 USAC Common and Consolidated Budget** – Ms. Parrino reported that the Executive Committee (EC) discussed the budget in great detail, especially the cost associated with the high cost data collection performed by NECA. The EC recommends that the change in accounting be approved and that the budget clearly indicate that these costs have always been a part of the administrative costs of the program and that these costs are not within USAC's control. Ms. Parrino distributed a revised Attachment B and C of the agenda item, Consolidated Budget spreadsheets, to reflect the changes recommended by the EC. The High Cost & Low Income Committee went a step further and requested that staff communicate with the FCC on how this budgetary item is beyond the control of USAC as a result of an FCC decision and ask them if USAC's proposed change is appropriate.

    Ms. Parrino reported that the budget increased 3.5 percent or approximately $1.2 million due to the significant items listed in Attachment C.

    On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

    > **RESOLVED**, That the USAC Board of Directors approve a 4th Quarter 1999 USAC common budget of $718,500, and
    >
    > **RESOLVED FURTHER**, That the USAC Board of Directors approves a 4th Quarter 1999 USAC consolidated budget of $9,140,800.

12. **4th Quarter 1999 Revenue Projections and Resolutions on July FCC Filing** - Mr. Haga reported that nineteen carriers reported revenues since the original attachments were printed so the numbers on Attachment A need to change as follows: (1) under 4th Quarter, Intrastate, Interstate & International Revenues Reported, change $101,698,769 to **$101,213,538**; and (2) under 4th Quarter, Interstate & International Revenues Reported, change $38,496,295 to **$38,203,999**.

    Ms. Parrino also recommended that the resolutions be amended to reflect the new language that was added to agenda item #4 in which the Board amended the resolution to reflect only a dollar variance threshold and also to set different dollar thresholds for the two revenue bases.

    On a motion duly made and seconded, the oard

On a motion duly made and seconded, the Board unanimously adopted the following amended resolutions:

> **RESOLVED,** That the USAC Board of Directors, having reviewed at its quarterly meeting on July 27, 1999, a summary of the current status of telecommunications service provider revenues for calendar year 1998, adjusted for revenues reported for January through June 1998, authorizes staff to proceed with the required July 30, 1999, filing on behalf of USAC, and
>
> **RESOLVED FURTHER,** That the USAC Board of Directors authorizes USAC staff to file Contribution Base amounts with variances not exceeding $5.0 billion for the international, interstate and intrastate revenue base and $2.5 billion for the international and interstate revenue base of the Board approved contribution base amounts, and variances at or below the above level are deemed approved by the Board. Any variances above $5.0 billion for the international, interstate and intrastate revenue base and $2.5 billion for the international and interstate revenue base must have full Board approval before staff submits the filing to the FCC.

13. **Policy on Board Member Attendance at Board Meetings** – Ms. Parrino stated that as USAC develops and grows, it is necessary to review Board practices and policies and determine if those practices and policies are consistent with other organizations similar to USAC. The USAC Board of Directors does not have a policy on Board member attendance at Board meetings. The experts say that it is good Board practice to have an attendance policy to ensure that the constituency of the Board is being properly represented. The USAC Board does not have the power to remove a member from the Board—that can only be done by the FCC Chairman—but the Board can recommend removal based on policy guidelines in place. If approved, the policy would go into effect immediately, and Board members would contact the USAC Board of Directors' Chairperson or USAC's CEO to report the reason for any absences.

    On a motion duly made and seconded, the Board unanimously adopted the following resolution:

    > **RESOLVED,** That the USAC Board of Directors accepts the recommendation

made by the Executive Committee to adopt the following policy regarding Board member attendance at board meetings:

- Directors should not miss more than one-half (1/2) of the number of regular or special Board meetings (either in person or by telephone) held in any twelve (12) month period, unless the USAC Board Chairman provides an exception for illness or other good reason.

- USAC shall inform the FCC Chairperson if a director misses more than one-half (1/2) of the number of Board meetings in any twelve (12) month period and shall seek his or her guidance.

14. **Criteria for and the Selection of a USAC Secretary and Treasurer** – There was much discussion and Board members were split over the two options included in the issue paper. Ms. Parrino suggested that further discussions one-on-one with Board members might reveal a better consensus.

    On a motion duly made and seconded, the Board unanimously agreed to lay the motion on the table.

Information Items:

1. **Legislative Activity** – For information only. No discussion held.

2. **Treasurer's Report** – For information only. No discussion held.

3. **Regulatory Report** – For information only. No discussion held.

4. **Status Report on the Readiness of USAC Operations for the Year 2000** – For information only. No discussion held.

5. **Report on Accounts Receivable and Collection Efforts** – For information only. No discussion held.

6. **Report on Form 457 Late Filing Fee** – For information only. No discussion held.

7. **Form 457 Reported Revenue Decreases Greater than 45 Percent** – For information only. No discussion held.

8. **Status of USAC Clarification Requests at the FCC** - For information only. No discussion held.

9. **Seeking Tax Exempt Status for USAC** - For information only. No discussion held.

10. **Status of Form 457 Audit** - For information only. No discussion held.

11. **Contract Review** - ***Confidential & Proprietary*** - See Executive Session below.

12. **Timeline and Key Dates** - For information only. No discussion held.

13. **Miscellaneous** - None.

Rural Health Care Program:

1. **Rural Health Care Program Status Report** - For information only. No discussion held.

2. **Status of March 5, 1999, USAC Report to the FCC** - For information only. No discussion held.

3. **4th Quarter 1999 Rural Health Care Programmatic Budget** - For information only. No discussion held.

4. **4th Quarter 1999 Rural Health Care Projections and Resolution on the July FCC Filing** - For information only. No discussion held.

5. **Miscellaneous** - None.

Schools and Libraries Programs:

1. **Schools and Libraries Program Update** - For information only. No discussion held.

2. **Update on Year 3 Improvements** - For information only. No discussion held.

3. **4th Quarter 1999 Schools and Libraries Programmatic Budget** - For information only. No discussion held.

4. **4th Quarter 1999 Schools and Libraries Projections and Resolution on the July FCC Filing** - For information only. No discussion held.

5. **Miscellaneous** - None

High Cost and Low Income Program:

1. **High Cost Program Status Report** – For information only. No discussion held.

2. **Low Income Program Status Report** – For information only. No discussion held.

3. **Proposed Low Income Process Revision** – For information only. No discussion held.

4. **Report on Low Income Audit** – For information only. No discussion held.

5. **Report on the Implementation of a New High Cost Program for Non-rural Companies** – For information only. No discussion held.

6. **4th Quarter 1999 High Cost and Low Income Programmatic Budget** – For information only. No discussion held.

7. **4th Quarter 1999 High Cost and Low Income Projections and Resolution on the July FCC Filing** – For information only. No discussion held.

8. **Miscellaneous – USAC Competitive Bidding Policy** – This item will not come back to the Board for Board approval; it is for information purposes only.

   On a motion duly made and seconded, the Board unanimously agreed to go into ***Executive Session*** at 9:58a.m. Eastern Time for the purpose of discussing information agenda item #11, Contract Review. All persons except Board members, USAC's counsel representatives, and the minute-taker were asked to leave the meeting.

   On a motion duly made and seconded, the Board unanimously agreed to go into Open Session at 10:10 a.m. Eastern Time for purposes of reporting actions taken during *Executive Session*:

Executive Session

11. Contract Review – Ms. Rosenblum reported that USAC staff informed the Board of the status of USAC's current contracts with outside vendors. The Board directed staff to bring a plan of action and timetable of contracting dates to the next quarterly Board meeting in October 1999.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 10:31 a.m. Eastern Time.

Robert W. Haga
Acting Secretary/Treasurer

Date

Content Last Modified: March 31, 2003

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Exhibit 3

Facsimile Cover Sheet From Michelle Tilton

Universal Service Administrative Company

Michelle Tilton
Billing and Collections Manager

FAX TRANSMISSION COVER SHEET

Date: 6/23/2004

To: Tadas Vaitkus..........432-224-0349

From: Michelle Tilton

Number of Pages including this one: 18

Re: Annual Revenue Filings 1999 and 2000

Comments:

Enclosed please find:

Original filings of semi-annual and annual 1999 revenue
Revision to annual 1999 revenue filed
Rejection letter for late filed revision

In 2001, no form was submitted for the 2000 annual revenue, so USAC estimated. Both those forms periods are closed to downward revisions, which is why the recent rejection letters were sent.

Please let me know if you have other questions.

Michelle Tilton
202-772-5251

Exhibit 4

Relevant Correspondence from Eureka's Counsel to the Commission and USAC

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May 10, 2004

VIA ELECTRONIC MAIL AND HAND DELIVERY

Timothy Peterson, Esquire
Office of Managing Director
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

FOR SETTLEMENT PURPOSES ONLY

Re: **Eureka Networks f/k/a Eureka Broadband Corporation (Filer ID 820387); Submissions of 499-A and 477 Forms for Prior Years 1998 - 2003; Universal Service Fund Good Faith Payment and Proposed Payment Arrangements**

Dear Mr. Peterson:

We are writing on behalf of Eureka Broadband Corporation d/b/a Eureka Networks as successor-in-interest to Gillette Global Network, Inc. ("Eureka" or "the Company"; Filer ID # 820387) to address issues related to the Company's regulatory filing and payment obligations before the Federal Communications Commission ("FCC" or "the Commission") and the Universal Service Administrative Corporation ("USAC"). In particular, this letter is to request an in-person meeting with staff of the FCC to discuss Eureka's proposed payment plan for payment of amounts it may owe to the federal universal service fund ("FUSF"). Consistent with these obligations, we have enclosed a copy of a good faith payment to the FUSF that Eureka is submitting today to USAC.

As described in the attached correspondence from Eureka Chairman Jeffrey Ginsburg, Eureka recognizes that it owes past-due amounts to the FUSF and is willing to commence submission of payments pursuant to a negotiated agreement with USAC. In an effort to expedite resolution of these issues, Eureka, concurrent with this correspondence, is making a retroactive submission of FCC Universal Service forms not filed to date, including original FCC Form 499-A filings for the reporting years 1998 through 2003. Eureka is also submitting a 2004 499-Q, reflecting FUSF eligible revenues for the 1st Quarter of 2004 with payment in full.

<u>FOR SETTLEMENT PURPOSES ONLY</u>

Furthermore, as we have advised Michelle Tilton, Manager, Billing and Collections at USAC, the relevant forms for Eureka are being submitted simultaneously with a two good faith payments, totaling $303,933.43 to USAC's lockbox banking location in Chicago, Illinois.

Finally, enclosed for the Commission's consideration in advance of our meeting, is a Term Sheet with proposed payment plan designed to cure the outstanding balance Eureka believes is owed to the FUSF. As part of the Commission's evaluation of this proposal, we believe it vital that the Commission consider the corporate history and background of Eureka and its subsidiaries. Enclosed with this submission is a copy of Eureka Chairman Jeffrey Ginsburg's correspondence to the Commission concerning this important history. As is evident from the details of its operational history, Eureka is only now able to compile information necessary to evaluate and comply with all of its regulatory obligations.

In short, the combination of a massive reduction in its work force, the disruption to the entire Company due to the tragic events of September 11, 2001, wrenching changes in the telecommunications market, and the natural disruptions associated with coordinating merger integration activities, all have severely handicapped the Company's ability to accurately track its USF requirements. Nevertheless, the Company survived the multiple shocks to its business and is committed to complying with all regulatory obligations.

Toward that end, and as noted earlier, enclosed with its regulatory filings, Eureka has included a payment of $188,918.54 for its liability associated with USF-eligible revenues generated in the first quarter of 2004. This amount is in addition to the payment of $115,014.89, which represents the first payment in the proposed payment plan to settle the Company's outstanding USF balance of $1.15 million. It is the Company's belief that this amount represents the total amount due and owing to the FUSF by the Company to date. It is the Company's expectation that the filing of the outstanding 499-A forms, together with a proposed plan for the complete payment for the FUSF obligation of the Company to date, will ultimately satisfy Eureka's outstanding FUSF obligations.[1]

---

[1] Of course, the Company recognizes that the FCC or USAC may impose certain administrative fees, but Eureka requests that these fees and charges be waived in light of the voluntary actions of the Company. Eureka believes its actions have reduced the administrative burden on USAC and the FCC to identify, track, and calculate any outstanding balance owed by Eureka or any of its previously acquired subsidiaries.

FOR SETTLEMENT PURPOSES ONLY

Eureka hopes to reduce the FCC and USAC's administrative burden The Company's desire to comply fully with the Act and the Commissions rules and orders. Eureka is now able to identify records, track revenues, become and stay current regarding its FUSF obligations and, most importantly, continue to thrive as a profitable and healthy competitive telecom service provider to benefit end-user customers.

We, and the representatives of Eureka, look forward to meeting with you and appreciate your consideration of our request.

Respectfully submitted,

Darius B. Withers

Jonathan E. Canis
Darius B. Withers
Counsel to Eureka Networks

Enclosures (as noted)

cc: Ms. Anita Cheng, Assistant Chief, Telecommunications Access Policy Division, Federal Communications Commission
Ms. Ann Marie Trew, Universal Service Administrative Company
Mr. Jeffrey E. Ginsburg, Chairman, Eureka Networks f/k/a/ Eureka Broadband Corporation

EUREKA NETWORKS
www.eurekanetworks.net

May 5, 2004

FOR SETTLEMENT/ DISCUSSION PURPOSES ONLY

Timothy Peterson, Esquire
Office of Managing Director
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Eureka Broadband – USF Filings and Settlement Proposal

Dear Mr. Peterson:

The purpose of this letter is to provide the Federal Communications Commission (the "FCC" or the "Commission") with additional background information regarding the corporate history of Eureka Broadband Corporation and its subsidiaries ("Eureka" or the "Company"), so that the Commission can more fully evaluate the Company's payment plan with respect to its outstanding USF obligations.

Eureka has been on what can only be described as an "odyssey of survival" since the meltdown in the telecom capital markets occurred and caused many service providers to file bankruptcy, liquidate their assets or otherwise cease to exist. In addition to these oppressive macro-economic conditions, Eureka also had the distinction of being headquartered in downtown Manhattan, and as a result we were profoundly impacted by the events of September 11th. We are proud to have survived the catastrophic events of 9/11 and the overall collapse of the telecom market.

Our survival has not been without many sacrifices along the way, many of which directly impacted our ability to properly calculate and to pay currently our USF charges. We are pleased that we are now able to pay our USF charges on a current fashion, and commence payments on a payment plan to address our outstanding balance. While we recognize that terms of our payment plan are inconsistent with the Commission's suggested guidelines, there are a number of reasons beyond our control that have put Eureka in its current predicament, where we are unable to meet these guidelines. We believe it is vital for the Commission to consider Eureka's corporate history when evaluating this payment plan, as it is evident from a review of the facts that the Company is only now able to compile accurate information and meet all of its regulatory obligations.

Significant Acquisition Activity Created Employee Turnover and Billing Problems

Eureka is a New York City-based resale and facilities provider of telecommunications services to business customers in New York, Maryland, Virginia, and Washington, D.C., that was incorporated in 1999. Eureka offers businesses a single source for voice communications services, high-speed Internet, managed security services and data networking solutions. Eureka Broadband Corporation was incorporated in 1999. Since that year, the Company has acquired seven (7) different companies, including Eureka's subsidiaries Gillette Global Network ("GGN") and eLink Communications. We changed our trade name to Eureka Networks in 2003.

Each corporate acquisition increased revenues, customers, access to investment capital, and contributed to the Company's ability to survive the brutal market conditions that prevailed during this time. However, at the time of acquisition, each target company was distressed, plagued with poor record systems, and unstable workforces, which made each merger integration even more difficult than normal. As an illustrative example, Eureka and Gillette Global Network signed a letter of intent to merge in September 2000 (this was Eureka's first acquisition). At the time, the combined entities consisted of 400 individuals. Subsequently, Eureka acquired companies with an additional 100 employees, bringing the total employment from all companies to 500 people. As of March 31, 2004, Eureka maintained a total of 70 employees, an 86% decrease in total personnel. This massive headcount reduction has had a material adverse impact on the ability of the Company to manage many administrative aspects of the business, including our regulatory obligations as applied to each separate corporate subsidiary.

In particular, the absence of a unified billing platform among the different entities created significant problems for the Company – not the least of which was tracking and categorization of revenues. The full integration of the varied operational components of each of the seven acquired businesses (including people, products, customer bases, networks, billing systems, accounting systems, customer care centers, etc.) was a difficult process that has taken a total of three years. In fact, not until late in the third quarter of 2003 did Eureka establish a single, fully integrated, billing system to enable more accurate tracking and identification of USF-eligible revenues.

The Events of September 11, 2001 Profoundly Impacted the Company

The Company is headquartered in downtown Manhattan at 39 Broadway and serves numerous business customers in Manhattan that are connected to downtown switching facilities. Additionally, after much effort, in April 2001, Eureka secured from the Port Authority of New York/New Jersey a contract, which gave the Company the right to deploy a fiber-optic backbone conduit in the risers of #1 and #2 World Trade Center. On the eve of the disaster, Eureka had invested over $500,000 in capital funds into the World Trade Center and was planning for the revenue from this facilities deployment to produce cash flow to grow our business, accelerate our merger integration processes, and develop a unified billing system.

Unfortunately, the disaster at the World Trade Center changed everything for Eureka. Eureka, as a competitive new entrant, relies upon larger, facilities-based, entities to maintain redundant networks which can withstand such calamities. Nevertheless, the loss of AT&T's facilities in World Trade Center Tower 7, as well as the destruction of Verizon's West St. Central Switching Office, caused many of Eureka's customers outside of the WTC complex to experience recurring service problems for months following the disaster. The collapse of the towers disrupted the entire power grid in all of lower Manhattan, which further disabled our entire New York network and customer base. Eureka was very fortunate that we did not lose any employees on that fateful day – our WTC project team had a meeting scheduled for 9:00 am on the 88th floor. All made it out safely, but witnessed the tragedy first hand.

In the immediate wake of the disaster, Eureka recognized the tangible threat to its revenue base and focused our activities on business survival. These activities included the dismissal of 120 people within weeks (reducing personnel from 200 to 80) and focusing 100% of the Company's resources on preservation of our remaining customer base. As noted herein, however, these survival activities resulted in a three year period wherein the Company struggled to comply fully with its regulatory obligations due to lack of access to records, absence of personnel with applicable knowledge, and a targeted focus on the preservation of existing, and precious, revenues.

The Company's Financial Condition

In a manner similar to other telecom service providers, Eureka incurred losses from operations and raised capital to deploy network facilities, all as part of an effort to grow and find new sources of revenue. At our peak in mid-2000, the Company's monthly "burn rate" was approximately $4 million per month. Unlike many other companies, which today are no longer in business, we corrected course early, pulling back from plans to enter more remote geographic markets, and concentrated our efforts in only two markets.

Since July 2001, Eureka has successfully raised equity capital to support our operations and fund our steadily shrinking operating losses. However, a significant use of these proceeds has been to resolve disputes with secured creditors that were threatening to place the Company into involuntary bankruptcy. Eureka continues to operate and has, thus far, successfully avoided a bankruptcy filing. Unfortunately, in an attempt to avoid bankruptcy, the Company has been forced to prioritize our use of limited capital to satisfy creditor's then-immediate claims. These liabilities, which have been satisfied, included:

- A secured lease with Cisco Capital with $5 million outstanding
- A secured loan with Comdisco with $1.4 million outstanding
- An office lease in New York City with 8 years and $17 million in rent payments remaining in the term
- An office lease in Bethesda, MD with over 2 years and $1.5 million in rent payments remaining in the term

If Eureka had been unable to resolve these liabilities, the Company would have been forced to file for bankruptcy protection. Unfortunately, it would have been during those proceedings, under the supervision of the bankruptcy court that the Company would have discovered its obligations to USF associated with the companies we had acquired, in some cases as far back as 1998.

Eureka has, however, achieved greater financial stability and made substantial improvements to our financial position. For the first time, in March 2004, the Company reported positive earnings before interest, taxes, depreciation, and amortization (EBITDA). Nevertheless, Eureka still continues to operate with negative working capital and is not yet in a position to pay its outstanding USF obligations within one year, as suggested by the FCC's guidelines. A copy of financial statements from the past two years, and the Company's March 31, 2004 financial statements, are enclosed for your review.

In closing, the Company regrets that it has not complied with its USF payment obligations and we want to bring the Company into full compliance. We hope that this letter has shed some light on our fight for survival and thought process along the way. We are now positioned to make contributions to the USF on a current basis, address our arrearage in a reasonable settlement and most importantly, continue to thrive as a profitable and healthy competitive telecom service provider.

We look forward to meeting you in person at your convenience to review and discuss our proposal and answer any questions you may have.

Very truly yours,

Jeffrey E. Ginsberg
Chairman

Encl.

KELLEY DRYE & WARREN LLP
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August 12, 2004

VIA HAND DELIVERY AND ELECTRONIC MAIL

Jeffrey Mitchell, Esq.
Office of the General Counsel
Universal Service Administrative Company
2000 L Street, N.W. Suite 200
Washington D.C. 20036

Re: **Federal Universal Service Fund Contribution Payment Plan for Eureka Broadband Corporation, successor-in-interest to Gillette Global Network, Inc. (Filer ID # 820387)**

Dear Mr. Mitchell:

As we discussed in our prior telephone conversations, Eureka Broadband Corporation d/b/a Eureka Networks as successor-in-interest to Gillette Global Network, Inc. ("Eureka" or the "Company") requests a meeting with the Universal Service Administrative Company ("USAC") to obtain clarification concerning various issues related to invoices, payments and records associated with Eureka's outstanding obligations to the Universal Service Fund ("USF").

In particular, the Company believes that it would be beneficial to both entities if representatives of Eureka and personnel from USAC meet with one another in advance of USAC providing its formal payment plan recommendation to the Federal Communications Commission ("FCC"). A joint meeting between the two entities will ensure that the information USAC provides to the FCC reflects an accurate accounting of all outstanding invoices, payments and adjustments relevant to Eureka and its predecessor companies.

We believe any meeting will be most productive if we discuss the following topics, including: (1) the basis for the balance USAC believes Eureka owes; (2) an explanation of USAC's reliance on reports submitted in 1999 and 2000 by Eureka's predecessor Gillette Global Network; (3) whether any credits or adjustments are applicable to Eureka's accounts; and (4) why Eureka received a DCIA Notice Letter dated July 20, 2004, even though Eureka has come forward voluntarily to propose a payment plan to satisfy its outstanding USF balance.

Finally, in advance of a meeting, we would appreciate if USAC provided Eureka with a spreadsheet itemizing the running total of all credits, payments, late payment fees and outstanding sums, and the dates of any and all DCIA transfers. This information should facilitate an efficient and informative meeting between the two entities.

As we have discussed previously, it is imperative that we receive this information to afford Eureka the ability to know whether it can maintain its existing course of conduct of paying its USF balance per its proposed payment plan submitted on May 10, 2004, or whether USAC believes the existing payment plan should be modified.

The week of September 6, 2004 represents the best range of dates for an in-person meeting with Eureka personnel most qualified to address these issues but we are flexible regarding specific dates and format of the discussion. Please feel free to contact the undersigned to advise us of USAC's availability to host a meeting. We look forward to hearing from you shortly.

Respectfully submitted,

Darius B. Withers

Jonathan E. Canis
Darius B. Withers
Counsel to Eureka Networks

cc: Mark A. Carmichael, Vice-President, Finance, Universal Service Administrative Company
Mr. Michael Lawrence, Universal Service Administrative Company
Mr. Timothy Peterson, Office of Managing Director, Federal Communications Commission
Mr. Jeffrey E. Ginsberg, Chairman, Broadband Corporation d/b/a Eureka Networks
Mr. Adam Lewis, Vice-President, Eureka Broadband Corporation d/b/a Eureka Networks

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DUPLICATE

PROPRIETARY FINANCIAL INFORMATION REDACTED

PROPRIETARY EXHIBITS REDACTED

September 24, 2004

RECEIVED
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BY: dw

VIA ELECTRONIC MAIL AND HAND DELIVERY

Jeffrey A. Mitchell, Esquire
Associate General Counsel
Universal Service Administrative Company
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CONFIDENTIAL
FOR SETTLEMENT/ DISCUSSION PURPOSES ONLY

Re: **Consideration and Acceptance of Eureka Broadband Corporation's Payment Plan Proposal; September 9, 2004 Meeting with Staff of the Universal Service Administrative Company**

Dear Mr. Mitchell:

We are writing to thank you for arranging and participating in the meeting of Thursday, September 9, 2004, between staff members of the Universal Service Administrative Company ("USAC") and representatives of Eureka Broadband Corporation ("Eureka" or "the Company") as successor-in-interest to Gillette Global Network, Inc. ("Gillette"). We are also writing to provide you with Eureka's conclusions regarding the undisputed amount owed by the Company to the Universal Service Fund ("USF") and to provide USAC with supporting documentation for the Company's proposed payment plan.

As an initial matter, we must note our sincere disappointment that after having provided USAC with a significant amount of information to perform an analysis of Eureka's payment plan request on May 10, 2004, well over four months ago, Eureka did not receive a definite and written calculation from USAC specifying the amount of money the Company may owe to the USF until late Monday, September 20, 2004.

Similarly, although we initiated discussions regarding a payment plan with the Federal Communications Commission ("FCC") in April of this year, we did not receive copies of proposed payment plan documents, including a deferred payment plan promissory note and security agreement, until Tuesday, September 21, 2004. Nevertheless, the Company will do everything in its power to work cooperatively with USAC and the FCC to reach a resolution regarding a payment plan prior to the end of the federal government's fiscal year on September 30, 2004.

USF Balance Reconciliation and Appeal

Eureka has conducted a review of the invoice and balance calculations provided to the Company earlier this week. As anticipated during the meeting on September 9, 2004, Eureka disagrees with certain aspects of the final calculations performed by USAC. In particular, Eureka disagrees with USAC's application of monies the Company paid to MCI, Inc. (*f/k/a* Worldcom, Inc.) in prior years for USF charges imposed on services purchased by Eureka.

Furthermore, Eureka disagrees with USAC's decision to consider all revenues reported by Gillette for 1999 and 2000 as attributable to Eureka's USF obligation, rather than the revenue amounts reported by Eureka in May of this year. Eureka believes that the amounts the Company reported in *FCC Form 499s*, submitted in May of this year reflect accurately the actual USF-eligible revenues for Gillette in 1999 and 2000.

As we discussed and confirmed with you and Mr. Timothy Peterson of the FCC during the meeting and in subsequent communications, Eureka will appeal to the Commission the decision by USAC to apply either of these amounts to Eureka's USF obligation. The Company will file its appeal shortly.

Eureka's analysis of the outstanding USF debt subject to a payment plan, absent the payments to MCI and application of revenues attributed to Gillette, totals $677,451.45. A detailed calculation of the amount of USF obligation attributable to Eureka is enclosed at Exhibit A. An updated payment schedule based upon this balance is enclosed at Exhibit B.

Supporting Information for Eureka's Payment Plan

As promised during the meeting, we have enclosed at Exhibit C a copy of a cash flow projection for Eureka. It is our understanding that USAC and the FCC will utilize this information to evaluate Eureka's proposed payment plan. In light of Eureka's continued compliance with the terms of its proposed payment plan, including an initial down payment in May of 2004 of $115,014.89 – which was 10% of the calculated balance of $1,150,148.57 – and the Company's consistent submission of monthly payments, Eureka has revised its amortization schedule to reflect remaining payments under the plan. Please be aware that since the submission of its payment plan in May of this year, Eureka has made payments to the USF totaling $357,265.82.